

Message Text

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60

ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

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R 192010Z JAN 76

FM AMEMBASSY SANTO DOMINGO
TO SECSTATE WASHDC 5814

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E.O. 11652: N/A

TAGS: EFIN, DR

SUBJECT: DOMINICAN PESO WEAKENS

REF: 75 SANTO DOMINGO 5616

1. THE DOMINICAN PESO HAS WEAKENED SLIGHTLY SINCE THE FIRST OF THE YEAR, WITH THE RATE ON THE PARALLEL MARKET FOR BUYING DOLLARS IN CASH BEING RD\$1.18. (OFFICIAL RATE IS ONE PESO FOR ONE DOLLAR.)

2. A YEAR AGO WHEN SOME SIXTY TO SEVENTY THOUSAND DOMINICANS ARRIVED FROM THE US TO VISIT DURING DECEMBER AND JANUARY, THEY BROUGHT WITH THEM SO MANY DOLLARS THAT THE PESO ON THE PARALLEL MARKET FIRMED UP FROM RD\$1.14 TO RD\$1.10. THIS YEAR, HOWEVER, THIS TEMPORARY YEAR-END FIRMNESS FAILED TO COME ABOUT APPARENTLY BECAUSE (1) FEWER DOMINICANS RETURNED FROM NEW YORK THIS YEAR AS A RESULT OF THE US RECESSION, (2) THE DOMINICANS WHO DID RETURN BROUGHT FEWER DOLLARS WITH THEM, (3) THE DEMAND FOR DOLLARS REMAINS STRONG, AND (4) THE GODR IS BEING STRICT ABOUT RELEASING FOREIGN EXCHANGE DUE TO PRESENT AND ANTICIPATED BALANCE-OF-PAYMENTS CONSTRAINTS.

3. IMPORTS IN 1975 JUMPED FROM RD\$673 MILLION TO \$RD825 MILLION,
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AN INCREASE OF 23 PERCENT. WHILE EXPORT EARNINGS WERE ALSO UP

SHARPLY, THIS WAS DUE PRIMARILY TO THE PHENOMENAL RISE IN WORLD SUGAR PRICES WHICH WAS SHORT-LIVED AND WHICH IS NOT EXPECTED TO BE REPEATED IN 1976.

4. LAST WEEK THE ACTING GOVERNOR OF THE CENTRAL BANK INFORMED THE ECONOMIC COUNSELOR THAT HE EXPECTED THE DR WOULD WIND UP AT THE END OF 1975 WITH FOREIGN EXCHANGE HOLDINGS OF ONLY ABOUT US\$12 MILLION. HE EXPLAINED THE CENTRAL BANK STILL HAD NOT RECEIVED SOME REPORTS FROM COMMERCIAL BANKS ON THEIR FOREIGN EXCHANGE HOLDINGS BUT HE THOUGH US\$12 MILLION WAS A GOOD BALLPARK FIGURE. ANOTHER GOOD CONTRACT IN CENTRAL BANK ON THE SAME DAY TOLD THE ECONOMIC COUNSELOR THAT HE THOUGHT THE COUNTRY'S FOREIGN EXCHANGE HOLDING WOULD TURN OUT TO BE ABOUT US\$9 MILLION.

5. WHETHER US\$9 MILLION OR US\$12 MILLION, THIS IS AN EXCEEDINGLY THIN MARGIN OF RESERVES CONSIDERING 1975 IMPORTS OF \$825 MILLION PLUS AN ADDITIONAL OUTLAY OF \$112 MILLION FOR SHIPPING AND INSURANCE, I.E. AN IMPORT BILL APPROACHING ONE BILLION.
AXELROD

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